Sea Harvest

Savour the sea

REVIEWED PRELIMINARY CONDENSED **CONSOLIDATED FINANCIAL RESULTS** FOR THE YEAR ENDED 31 DECEMBER 2018

CORPORATE INFORMATION
Sea Harvest Group Limited

(Incorporated in the Republic of South Africa)
Registration number: 2008/001066/06
JSE code: SHG
ISIN: ZAE00240198
"Sea Harvest"or "the Company"or "the Group"

Registered address:	The Boulevard Office Park 1st Floor, Block C Searle Street Cape Town 7925 South Africa
Directors:	F Robertson* (Chairman) BM Rapiya** WA Hanekom*** MI Khan* L Penzhorn*** (Retired 2 July 2018) T Moodley* (Appointed 2 July 2018) KA Lagler*** (Appointed 2 July 2018) CK Zama*** (Appointed 2 July 2018) F Ratheb (Chief Executive Officer) JP de Freitas (Chief Financial Officer) M Brey (Chief Investment Officer) ** Non-executive director* *** Lead independent non-executive director* **** Independent non-executive director*
Company Secretary:	N Aston
Transfer Secretary:	Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
Sponsor:	The Standard Bank of South Africa Limited
Auditors:	Deloitte & Touche

COMMENTARY

KEY PERFORMANCE INDICATORS

	Change	YEAR ENDED DECEMBER 2018	YEAR ENDED DECEMBER 2017
Revenue (R'000)	↑ 21%	**2 583 341**	2 131 054
International revenue mix		**58%**	61%
Gross profit (R'000)	↑ 27%	**908 244**	716 790
Gross profit margin		**35%**	34%
Operating profit (R'000)	↑ 16%	**388 619**	333 813
Operating profit margin		**15.0%**	15.7%
Profit for the year (R'000)	↑ 10%	**293 133**	266 945
Weighted average number of shares ("WANOS") ('000)		**249 202**	217 859
Headline earnings (R'000)	↑ 18%	**277 899**	235 317
Basic headline earnings per share (cents)		**112**	108
Dividends per share (cents)	↑ 29%	**40**	31
Net asset value per share (cents)		**705.6**	582.4
ZAR : Euro average exchange rate [1]		**15.73**	14.95
ZAR : AUD average exchange rate [1]		**9.81**	10.27
Closing share price (cents)		**1 375**	1 250

Notes:
[1] Average spot exchange rate at which sales were recorded.

HIGHLIGHTS OF THE YEAR

- Sea Harvest Group achieved Level 1 B-BBEE contributor status with a score of 100.37 and was rated as the most transformed company on the JSE Limited ("JSE") within the Fishing and Food sectors, according to a special report about the Most Empowered Companies listed on the JSE, published by Independent Media in partnership with Empowerdex and Intellidex.
- The acquisition of the operations of Viking Fishing as part of a B-BBEE consortium, and 51% of the shares of Viking Aquaculture, effective 2 July 2018. This is a transformational transaction for the Group and is earnings accretive from the outset.
- The acquisition and conversion of the Harvest Mzansi to a hake factory freezer trawler was completed on budget (R250 million) and on time (April 2018).
- The installation of a state-of-the-art Icelandic designed 'Marel' fish processing facility in Saldanha was completed on budget (R105 million) and on time (September 2018).
- The acquisition of two Spanish Mackerel packages in western Australia were integrated into Mareterram (January 2018).
- The acquisition of 100% of Ladismith Cheese became effective on 2 January 2019.
- Announced a bid to acquire the 43.7% shares of Mareterram not already owned by the Group, strengthening Sea Harvest's presence in Australia and providing a beachhead for growth (February 2019).

COMMENTARY
(CONTINUED)

TRADING AND FINANCIAL PERFORMANCE

The Sea Harvest Group delivered **headline earnings** for the year ended 31 December 2018 of R278 million, an increase of 18% compared to the same period last year (2017: R235 million), after absorbing transaction costs relating to the Viking and Ladismith Cheese acquisitions (R30 million) and once-off restructuring costs (R17 million).

Group revenue for the year increased by 21% to R2.58 billion (2017: R2.13 billion), benefiting from the inclusion of Viking Fishing and Viking Aquaculture for the six months post acquisition. Excluding acquisitions, South African revenue was on par with 2017, with the impact of the 5% reduction in Total Allowable Catch (TAC) partially offset by global sourcing, a weaker Rand and firm pricing, with the latter benefiting from continued global demand for high value, sustainably certified, wild caught seafood. Mareterram's revenue was 9% lower than prior year, due to a 35% reduction in prawn catch during the season, the impact of which was partly mitigated by higher prices, which benefited from a larger size mix following the delayed start to the 2018 prawn fishing season.

Gross profit for the period increased by 27% to R908 million (2017: R717 million) and the gross profit margin expanded to 35.2% (2017: 33.6%). The expansion in the gross profit margin has been driven by the inclusion of Viking Fishing and Viking Aquaculture, together with further efficiency gains, an increase in higher margin export volumes, price increases and a weaker rand.

Other **operating income**, which includes foreign exchange hedge gains, decreased to R72 million (2017: R75 million).

Operating expenses for the period increased by 29% to R592 million (2017: R458 million), mainly due to the inclusion of Viking Fishing and Viking Aquaculture's operating expenses post acquisition and non-recurring transaction costs relating to the Viking and Ladismith Cheese acquisitions. On a like-for-like basis, excluding the Viking operating expenses and the non-recurring transaction costs, operating expenses increased by 5%, benefiting from cost control measures across the Group.

The Group delivered **operating profit** of R389 million for the period, 16% higher than last year (2017: R334 million), benefiting from the inclusion of six months of Viking Fishing and Aquaculture's earnings and efficiency gains relating to the introduction of the Harvest Mzansi to the fleet, offset by lower revenue from Mareterram and once-off transaction costs relating to the Viking and Ladismith Cheese transactions. The operating margin was steady at 15% (2017: 15.7%).

Fair value gains of R49 million (2017: R25 million) includes a R43 million gain relating to the revaluation of the contingent consideration liability relating to Viking Aquaculture due to the non-achievement of the 2018 earn-out target.

Operating profit before net finance costs and taxation of R438 million was 14% higher than the prior year (2017: R383 million), mainly due to the higher operating profit. The fair value gains of R49 million in 2018 broadly matched the R48 million gains recorded in 2017 relating to the disposal of interest in joint venture and the initial measurement of an option.

Profit after tax increased by 10% to R293 million (2017: R267 million), benefiting from the 14% increase in operating profit before net finance costs and taxation, offset by higher net finance costs as a result of increased borrowings to fund the Viking transaction.

Headline earnings increased by 18% to R278 million (2017: R235 million) and **headline earnings per share (HEPS)** increased by 4% to 112 cents per ordinary share (2017: 108 cents), with HEPS negatively impacted by the dilutive effect of the increase in the WANOS, which increased from 217 859 827 at 31 December 2017 to 249 202 106 at 31 December 2018. The increase in the WANOS was mainly as a result of the Group restructure and the subsequent listing of the Group on the JSE on 23 March 2017, where the shares issued at listing were included in the determination of WANOS for only 283 days in 2017, compared to the full period in 2018. In addition, 19 230 769 shares were issued on 2 July 2018 as part of the Viking purchase consideration.

SEGMENTAL REVIEW

South African Fishing Operations: Revenue from Sea Harvest's South African fishing operation, net of intercompany sales, increased by 27% to R2.09 billion (2017: R1.64 billion), benefiting from the inclusion of Viking Fishing for six months post acquisition. The acquisition of Viking Fishing has changed the South African fishing operation sales channel mix. As a result of the lower export mix from Viking Fishing, the Sea Harvest fishing operations combined export sales revenue mix reduced marginally to 51% (2017: 53%). Europe remains Sea Harvest's most important export market, representing 80% of total export sales revenue in 2018, with particularly strong growth experienced in the Iberian Peninsula where Viking Fishing is also well represented. Foodservice made up 39% of Viking Fishing sales revenue for the six months post acquisition and as a result, the Sea Harvest fishing operation's combined foodservice mix increased to 30% (2017: 27%). Viking Fishing introduced a wholesale channel to the business, which Sea Harvest had previously not participated in, making up 4% of sales revenue for the year. Viking Fishing did not participate in the local retail channel and as a result, local retail sales mix reduced to 15% (2017: 20%).

South African Aquaculture Operations: The acquisition of 51% of the shares of Viking Aquaculture effective 2 July 2018, has further diversified Sea Harvest's revenue base, introducing a new revenue stream to the Group. The Viking aquaculture operations are at an early stage of development and represent strong growth opportunities for the future. During the second half of 2018 the operation turned to profit, delivering operating profit of R3 million for the six months ended 31 December 2018, compared to an operating loss of R4 million in the first six months of 2018. The business contributed revenue of R55 million to the Group for the six months ended 31 December 2018, with full year revenue for 2018 of R113 million, representing a year-on-year increase of 27%, benefiting from growth in abalone production. Abalone sales made up 62% of sales revenue for the full year. Revenue from trout has been impacted by higher mortalities as the operation focused on developing salt water strains of trout for grow-out within Saldanha Bay.

Australian Operations: Revenue for the year reduced by 9% to R443 million (2017: R487 million), impacted by a 35% reduction in the landings of prawns during the season, in line with the total reduction in catches within the Shark Bay Managed Fishery during the year. The impact of the lower prawn volumes on revenue was partly offset by higher prices which benefited from an improved size mix following the delayed start to the 2018 prawn fishing season. A significant restructure of the business took place in late 2017 and early 2018 which resulted in a 20% reduction in the company's overheads in 2018. Despite the challenging prawn fishing conditions, the cost reduction measures enabled the business to deliver earnings before interest, tax, depreciation and amortisation ("EBITDA") of R30 million for the year, broadly in line with that of the prior year (2017: R31 million). Depreciation and amortisation increased year-on-year as the capitalised costs associated with the vessel rebuild programme, as well as the acquisition of a mackerel vessel, are being depreciated. Interest expenditure increased year-on-year due to an increase in long-term borrowings relating to the acquisition of two mackerel packages in January 2018. The business reported profit after tax for the year of R2.3 million (2017: R15 million).

CASH FLOW AND FINANCIAL POSITION

The Group generated net cash of R476 million (2017: R253 million) from its operations during the year, benefiting from the additional cash generated by the Viking Fishing operation and a positive year-on-year movement in working capital.

The Group utilised R501 million in investing activities during the year (2017: R369 million), including:

- R121 million on the acquisition of the assets of Viking Fishing, net of R129 million of cash acquired;
- R60 million on the acquisition of 51% of the shares of Viking Aquaculture, net of R5 million of cash acquired; and
- R319 million on the acquisition of property, plant and equipment (2017: R370 million), including R46 million on the conversion of the Harvest Mzansi into a hake factory freezer trawler, R59 million on vessel refits, R81 million on the Marel factory processing facility in Saldanha Bay and R17 million on a desalination plant in Saldanha Bay.

COMMENTARY

(CONTINUED)

During the year the Group raised R423 million from financing activities, raising net borrowings of R627 million to part fund the Viking Fishing, Viking Aquaculture and Ladismith Cheese acquisitions, paid dividends of R79 million, advanced loans of R68 million to consortium partners and repurchased shares of R39 million.

The Group opened the year with cash of R383 million, increased cash by R399 million during the year, and ended the year with R782 million of cash on hand. With interest-bearing debt of R1,693 billion, the Group's net debt position for the year ended 31 December 2018 was R911 million.

DRIVING TRANSFORMATION

Sea Harvest is a c. 80% black-owned business and is proud to have achieved Level 1 B-BBEE contributor status with a score of 100.37 in 2018, an increase from Level 2 with a score of 98.9 in 2017. Sea Harvest's focus on transformation has been recognised with the Group being rated as the most transformed company on the JSE in the Fishing and Food sectors, and ranked third in terms of ownership, and tenth overall, according to a special report about the Most Empowered Companies listed on the JSE, published by Independent Media in partnership with Empowerdex and Intellidex.

Driving transformation within Sea Harvest and the fishing industry more broadly is central to Sea Harvest's existence. The Group invests significant resources in skills development, employment equity, supplier and enterprise development initiatives, as well as projects focused on job creation, youth and rural development.

- As part of the acquisition of Viking Fishing, Sea Harvest has actively supported the establishment of two new black SMME entrants into the South African fishing sector;
- As part of the Viking transaction, the Viking Staff Share Trust paid out R120 million to 835 employees;
- R38 million worth of Sea Harvest Group shares (2.9 million shares) were allocated to the Viking Staff Share Trust for the benefit of its employees, ensuring that employees continue to benefit from the future successes of the Group;
- Sea Harvest is a co-founding member of the South African Fisheries Development Fund, a joint initiative with Brimstone to establish a R100 million development fund devoted to empowering small scale businesses in the fishing and allied sectors;
- During the year Sea Harvest spent R33 million on various skills development initiatives; and
- The Sea Harvest Foundation spent R3 million on community-based projects, including the provision of bursaries, healthcare initiatives, donations and the support of youth sports development.

OUTLOOK

Within Sea Harvest's South African fishing operation, Sea Harvest expects to see continued global demand for high value, wild caught, MSC certified seafood, which is expected to drive continued growth and firm pricing. Local retail volumes are expected to come under continued pressure as a result of the challenging local economic environment, but continued price inflation in the category is expected to mitigate the impact on revenue. The local food service market remains robust, with continued firm pricing expected. The local wholesale market provides a new channel for the distribution of fresh fish into the informal trade where pricing is expected to remain stable.

On the supply side, the full year effect of the acquisition of Viking Fishing will drive additional export volume growth, in particular into the Iberian Peninsula where Viking Fishing is well represented, and growth in the foodservice and wholesale channels within the local market. In addition, a 10% and 14% increase in the TAC of Hake and Horse Mackerel respectively is expected to drive increased sales volumes and revenue during 2019. Strategic investments within the fish processing factory in Saldanha Bay during the third quarter of 2018 is also expected to drive production efficiencies in the future. This has been a challenging project with the ramp-up of the facility to its design capacity taking longer than anticipated and benefits delayed until the second half of 2019.

The Viking Aquaculture operations are in the early stages of development, with capital expenditure already incurred to enable the current facilities to reach their design capacities, representing good growth opportunities as the abalone, mussel, oyster and trout operations mature and reach their respective steady states. The Viking Aquaculture business, for the first time, turned to profit during the second half of 2018. Sea Harvest's 2019 earnings are expected to benefit from the improved earnings trajectory, as well as the inclusion of twelve months of earnings from Viking Aquaculture as opposed to six months in 2018. Capital expenditure has been allocated for the expansion of the Abalone facility in Kleinzee in the Northern Cape to significantly increase abalone production over the next ten-year period.

During 2018 fishing operators within the Shark Bay Prawn Fishery ("SBPF") experienced historically low catch volumes compared to previous seasons. The Department of Primary Industry and Regional Development, which oversees the SBPF, is working closely with industry to manage the SBPF to ensure a rebound of prawn catch rates. A range of strategies to optimise prawn spawning, recruitment and protection are being considered. Mareterram continues to focus on building further scale and diversification through acquisitions, with an emphasis on resource security and subsequent supply chain control. Sea Harvest has announced that its wholly-owned subsidiary, Sea Harvest International Proprietary Limited, has entered into a bid agreement to acquire the 43.7% shares in Mareterram not currently owned by the Group. This acquisition fast-tracks the achievement of the growth objectives for the Group, which includes continuing to diversify its earnings and increasing the Group's market share and presence in Australia.

On 2 January 2019, the Group's acquisition of the entire issued share capital of Ladismith Cheese Company Proprietary Limited became effective. Established in 1999, Ladismith Cheese is a value adding dairy processing company based in Ladismith in the Western Cape. The company's primary business is the production, distribution, marketing and sales of cheese, butter and milk powders to South African retail, wholesale and food service markets. The Ladismith Cheese acquisition is a further step in the execution of Sea Harvest Group's stated investment strategy representing an acquisition of a profitable branded FMCG food manufacturer of significant scale in the food and agricultural sector with a long track record, strong national brand and a proven management team.

Any forward-looking statements included in this Outlook paragraph have not been reviewed or reported on by the auditors.

DELIVERING THE STRATEGY

During the year Sea Harvest made good progress in delivering its investment strategy of growing earnings through a combination of organic margin enhancements within existing operations, and acquisitive growth in Fishing, Aquaculture and complementary food categories, including:

- In January 2018, acquired, at a cost of R36 million, two Spanish Mackerel packages in western Australia, which were integrated into Mareterram's business.
- In April 2018 completed, at a total cost of R250 million, the conversion of the Harvest Mzansi into a hake factory freezer trawler, whose frozen-at-sea product is targeted towards higher margin export markets.
- In October 2018 completed, at a total cost of R105 million, the installation of a state-of-the-art, Icelandic designed, "Marel" fish processing facility in Saldanha Bay.
- In July 2018, acquired, at a cost of R579 million (including contingent consideration), the operations of Viking Fishing, a transformational transaction for the Group, which has been earnings accretive from the outset.
- In July 2018, acquired, at a cost of R143 million (including contingent consideration), 51% of the shares of Viking Aquaculture, a business in its early stages of development with significant growth prospects.
- In January 2019, acquired, at a cost of R573 million (including interest of R46 million), 100% of the issued share capital of Ladismith Cheese.
- In January 2019, announced a bid to acquire the 43.7% shares of Mareterram not already owned by the Group, strengthening Sea Harvest's presence in Australia and providing a beachhead for growth.

On behalf of the board

F Robertson	**F Ratheb**
Chairman	*Chief Executive Officer*

Cape Town

11 March 2019

COMMENTARY
(CONTINUED)

CASH DIVIDEND DECLARATION

Notice is hereby given of dividend number 2. A gross full and final cash dividend amounting to 40 cents per share, in respect of the year ended 31 December 2018, was recommended on Monday, 11 March 2019, out of current earnings. Where applicable, the deduction of dividends withholding tax at a rate of 20% will result in a net dividend amounting to 32 cents per share.

The number of ordinary shares in issue at the date of this declaration is 294 293 814.

The Company's tax reference number is 9223/794/16/6.

Relevant dates are as follows:

Last day to trade *cum* dividend	Tuesday, 9 April 2019
Commence trading *ex* dividend	Wednesday, 10 April 2019
Record date	Friday, 12 April 2019
Dividend payable	Monday, 15 April 2019

Share certificates may not be dematerialised or re-materialised between Wednesday, 10 April 2019 and Friday, 12 April 2019, both dates inclusive.

By order of the board

N Aston
Company secretary

11 March 2019

INDEPENDENT AUDITOR'S REVIEW REPORT ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF SEA HARVEST GROUP LIMITED

We have reviewed the condensed consolidated financial statements of Sea Harvest Group Limited, contained in the accompanying preliminary report, which comprise the condensed consolidated statement of financial position as at 31 December 2018 and the condensed consolidated statement of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and selected explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, as set out in note 1 to the financial statements, and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Listings Requirements require condensed consolidated financial statements contained in a preliminary report to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by International Accounting Standard (IAS) 34: Interim Financial Reporting.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on these financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, which applies to a review of historical information performed by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of Sea Harvest Group Limited for the year ended 31 December 2018 are not prepared, in all material respects, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, as set out in note 1 to the financial statements, and the requirements of the Companies Act of South Africa.

Deloitte & Touche

Registered Auditor

Per: Michael van Wyk

Partner

11 March 2019

Unit 11, Ground Floor, 97 Dorp Street, Stellenbosch, 7600

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	REVIEWED YEAR ENDED 31 DECEMBER 2018 R'000	AUDITED YEAR ENDED 31 DECEMBER 2017 R'000
Revenue	4	**2 583 341**	2 131 054
Cost of sales		**(1 675 097)**	(1 414 264)
Gross profit		**908 244**	716 790
Other operating income		**72 240**	74 707
Selling and distribution expenses		**(123 897)**	(114 771)
Marketing expenses		**(13 248)**	(15 166)
Other operating expenses		**(454 720)**	(327 747)
Operating profit before fair value gains, joint venture and associate income		**388 619**	333 813
Share of profit of joint venture and associate		**647**	1 000
Gain on the disposal of interest in joint venture		**–**	23 155
Fair value gains		**48 743**	24 825
Operating profit before net finance costs and taxation		**438 009**	382 793
Investment income		**46 125**	17 206
Interest expense		**(90 130)**	(38 848)
Profit before taxation		**394 004**	361 151
Taxation		**(100 871)**	(94 206)
Profit after taxation		**293 133**	266 945
Profit after taxation attributable to:			
Shareholders of Sea Harvest Group Limited		**281 209**	259 344
Non-controlling interests		**11 924**	7 601
		293 133	266 945
Earnings per share (cents)			
– Basic		**112.8**	119.0
– Diluted		**108.6**	114.7

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	REVIEWED YEAR ENDED 31 DECEMBER 2018 R'000	AUDITED YEAR ENDED 31 DECEMBER 2017 R'000
Profit after taxation	**293 133**	266 945
Other comprehensive (loss)/ income		
Items that may be reclassified subsequently to profit or loss:		
Movement in cash flow hedging reserve	**(23 956)**	27 118
Cash flow hedging reserve recycled to other operating income	**20 614**	(47 342)
Cost of hedging reserve[1]	**(27 194)**	–
Exchange differences on foreign operations	**22 275**	(11 576)
Items that may not be reclassified subsequently to profit or loss:		
Net measurement gain on defined benefit plan	**2 149**	1 625
Other comprehensive loss net of tax	**(6 112)**	(30 175)
Total comprehensive income for the year	**287 021**	236 770
Total comprehensive income attributable to:		
Shareholders of Sea Harvest Group Limited	**271 525**	233 403
Non-controlling interests	**15 496**	3 367
	287 021	236 770

[1] *As a result of adopting IFRS 9: Financial Instruments, the Group has elected to designate the spot element of the forward contracts for hedge accounting with the forward points of effective hedges deferred in other comprehensive income as the cost of hedging.*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	Notes	REVIEWED YEAR ENDED 31 DECEMBER 2018 R'000	AUDITED YEAR ENDED 31 DECEMBER 2017 R'000
ASSETS			
Property, plant, equipment and vehicles[1]		**1 604 800**	808 192
Biological assets[2]		**107 646**	-
Intangible assets[3]		**616 163**	489 805
Goodwill[4]		**621 549**	84 220
Investments in associate		**5 316**	-
Available-for-sale investment	7	**-**	25 264
Investment at fair value through other comprehensive income	7	**25 264**	-
Financial assets	7	**25 912**	24 825
Loans to related parties	8	**72 489**	72 489
Loans to supplier partners[5]		**72 182**	1 959
Deferred tax assets		**333**	243
Non-current assets		**3 151 654**	1 506 997
Inventories		**396 471**	304 001
Trade and other receivables		**507 500**	332 578
Financial assets	7	**994**	41 896
Tax assets		**9 986**	-
Cash and bank balances		**781 679**	383 047
Current assets		**1 696 630**	1 061 522
Total assets		**4 848 284**	2 568 519

[1] *Movement in property, plant and equipment during the year includes:*

- *acquisitions through a business combination of R652 million;*
- *Marel fish processing project of R81 million;*
- *further capitalisation of the Harvest Msanzi conversion cost in an amount of R46 million; and*
- *disposal of Atlantic Hope with a carrying value of R56 million.*

The Group has re-assessed the residual values of its fleet, resulting in a reduction in depreciation of R5 million in the current year and cumulative reduction in depreciation of R75 million over the next 15 years.

[2] *Biological assets include abalone, oysters, mussels and fish acquired through a business combination of R85 million.*

[3] *Additions to intangible assets include the acquisition of Spanish Mackerel rights by Mareterram for an amount of R36 million and R67 million of fishing rights relating to the acquisition of the Viking Fishing business.*

[4] *Movement of R533 million in goodwill relates to current year business combinations and R4 million in the foreign currency translation reserve.*

[5] *Relates to loans to Nalitha Investments Proprietary Limited and South African Fishing Empowerment Corporation Proprietary Limited.*

	Notes	REVIEWED YEAR ENDED 31 DECEMBER 2018 R'000	AUDITED YEAR ENDED 31 DECEMBER 2017 R'000
EQUITY AND LIABILITIES			
Stated capital	9	**1 538 761**	1 294 875
Other reserves		**(102 006)**	(71 476)
Retained earnings		**377 910**	174 267
Attributable to shareholders of Sea Harvest Group Limited		**1 814 665**	1 397 666
Non-controlling interests		**254 662**	168 313
Capital and reserves		**2 069 327**	1 565 979
Long-term borrowings[1]		**1 517 683**	315 825
Employee related liabilities		**25 229**	26 342
Share based payment liability		**27 626**	18 789
Long-term deferred grant income		**20 026**	12 110
Contingent consideration	3	**121 910**	–
Financial liabilities	7	**41 806**	59 348
Deferred taxation		**374 551**	205 277
Non-current liabilities		**2 128 831**	637 691
Short-term borrowings		**174 955**	31 298
Trade and other payables		**410 211**	269 356
Short-term deferred grant income		**2 317**	1 505
Financial liabilities	7	**36 726**	20 848
Short-term provisions		**25 121**	30 980
Taxation		**796**	10 862
Current liabilities		**650 126**	364 849
Total equity and liabilities		**4 848 284**	2 568 519

[1] *Included in the movement in long-term borrowings is a R850 million term loan to fund the Viking Group acquisition and R307 million relating to loans advanced to Viking Aquaculture Proprietary Limited from Viking Fishing Group Administration Proprietary Limited (non-controlling shareholders of Viking Aquaculture Proprietary Limited).*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	REVIEWED YEAR ENDED 31 DECEMBER 2018 R'000	AUDITED YEAR ENDED 31 DECEMBER 2017 R'000
Balance at the beginning of the year	**1 565 979**	669 447
Attributable to:		
Shareholders of Sea Harvest Group Limited	**1 397 666**	517 404
Non-controlling interests	**168 313**	152 043
Total comprehensive income for the year attributable to shareholders of Sea Harvest Group Limited	**271 525**	233 405
Profit after taxation	**281 209**	259 344
Movements in other items of comprehensive income, net of tax	**(9 684)**	(25 939)
Movements attributable to shareholders of Sea Harvest Group Limited		
Shares issued[1]	**279 531**	1 294 047
Shares repurchased[2]	**(38 526)**	–
Shares awarded in terms of forfeitable share plan[2]	**2 882**	–
Recognition of forfeitable share plan reserve	**(32 413)**	(55 000)
Redemption of preference shares	**-**	(368 409)
Distributions to participants of share trusts and repurchase of shares	**-**	(218 771)
Dividends paid	**(77 565)**	–
Share-based payments	**11 565**	15 178
Transfer to share based payment liability (modification)	**-**	(19 789)
Further acquisition of investment in subsidiary	**-**	(399)
Movement attributable to non-controlling interests	**86 349**	16 270
Balance at the end of the year	**2 069 327**	1 565 979

[1] *As part of the total purchase consideration for acquisition of the Viking Fishing business on 2 July 2018, a total of 19 230 769 new ordinary shares were issued to Viking Fishing shareholders at R13 per share amounting to R250 million. An additional 2 271 567 new ordinary shares were awarded in terms of the forfeitable share plan at R13 per share amounting to R29 million.*

[2] *A total of 2 671 642 shares were repurchased, of which 217 175 shares were awarded in terms of the forfeitable share plan at an average price of R13.27 per share. The balance of 2 454 467 shares were repurchased for the purpose of the forfeitable share plan allocation in 2019.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	REVIEWED YEAR ENDED 31 DECEMBER 2018 R'000	AUDITED YEAR ENDED 31 DECEMBER 2017 R'000
Operating activities			
Profit after taxation		**293 133**	266 945
Adjustments for non-cash and other items		**246 026**	163 296
Operating cash flows before changes in working capital		**539 159**	430 241
Increase in inventories		**(14 555)**	(14 255)
Increase in trade and other receivables		**(60 201)**	(53 547)
Increase/(decrease) in trade and other payables		**86 502**	(21 448)
Cash generated from operations		**550 905**	340 991
Investment income received		**46 125**	17 206
Income tax paid		**(36 569)**	(80 011)
Interest paid		**(83 963)**	(25 544)
Net cash generated from operating activities		**476 498**	252 642
Investing activities			
Acquisition of investment in subsidiary/business	3	**(181 339)**	-
Proceeds on disposal of property, plant, equipment and vehicles		**75 543**	2 855
Acquisition of property, plant and equipment and vehicles		**(319 275)**	(369 876)
Acquisition of intangible assets		**(38 925)**	(1 526)
Additions to biological assets		**(37 149)**	-
Net cash utilised in investing activities		**(501 145)**	(368 547)
Financing activities			
Shares issued, net of listing costs		**-**	1 239 025
Shares repurchased		**(38 526)**	-
Redemption of B and C preference share capital		**-**	(368 409)
Repayment of B and C preference dividends		**-**	(144 269)
Proceeds from borrowings		**1 271 051**	257 968
Repayment of borrowings		**(641 514)**	(332 024)
Repayment of financial liabilities		**(21 266)**	(22 256)
Repurchase of shares and distributions to participants of share trusts		**-**	(218 771)
Dividends paid		**(78 506)**	-
Amounts advanced to related parties		**-**	(80 194)
Amounts advanced to supplier partners		**(68 000)**	-

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	REVIEWED YEAR ENDED 31 DECEMBER 2018 R'000	AUDITED YEAR ENDED 31 DECEMBER 2017 R'000
Rights issue by subsidiary		-	14 971
Further investment in subsidiary		-	(1 479)
Net cash generated from financing activities		**423 239**	344 562
Net increase in cash and cash equivalents		**398 592**	228 657
Cash and cash equivalents at the beginning of the year		**383 047**	154 404
Effects of exchange rates on the balance of cash held in foreign operation		**40**	(14)
Cash and cash equivalents at the end of the year		**781 679**	383 047

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. BASIS OF PREPARATION

The condensed consolidated financial statements for the year ended 31 December 2018 are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports and the requirements of the Companies Act of South Africa. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34: Interim Financial Reporting.

These condensed consolidated financial statements for the year ended 31 December 2018 has been reviewed by Deloitte & Touche, who expressed an unmodified review conclusion.

The directors take full responsibility for the preparation of this report. The condensed consolidated annual financial statements were prepared under the supervision of the Chief Financial Officer, JP de Freitas CA(SA).

2. ACCOUNTING POLICIES

The accounting policies and methods of computation applied in the preparation of these condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the financial statements for the year ended 31 December 2017, except as set out below.

The Group adopted IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers on 1 January 2018. As reported previously, the adoption of these standards had an immaterial impact on the Group. The implementation of IFRS 9 resulted in the reclassification of the R25 million "available-for-sale" investment to an equity instrument irrevocably designated as at fair value through other comprehensive income as disclosed in note 7. There is no reclassification of fair value changes on the "available-for-sale" investments as these are already reported in equity. As a result of adopting IFRS 9, the Group has elected to designate the spot element of the forward contracts for hedge accounting with the forward points of effective hedges deferred in other comprehensive income as the cost of hedging. The adoption of IFRS 15 had no material impact on the Group.

3. BUSINESS COMBINATION

With effect from 2 July 2018, the Group has, together with a consortium of broad-based black economic empowerment investors, acquired the entire fishing business of Viking Fishing Holdings Proprietary Limited ("Viking Fishing") by way of the purchase of selected assets, liabilities and businesses from, and selected shareholdings in, the respective Viking Fishing group businesses. As part of the same transaction, the Group acquired 51% of the issued share capital of Viking Aquaculture Proprietary Limited ("Viking Aquaculture").

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

3. BUSINESS COMBINATION (CONTINUED)

Viking Fishing and Viking Aquaculture (together the "Viking Group") was founded in 1978 and 2012, respectively. The Viking Group has developed into a significant vertically integrated fishing and aquaculture business since establishment.

The acquisition of the Viking Group is in line with the Group's investment criteria and the Group is confident of the value that a combination of Sea Harvest and the Viking Group would generate through the complementary nature of the fishing businesses and the diversification into other wild caught species and aquaculture.

The Group gained a controlling interest in Viking Aquaculture through this acquisition, and has accounted for the 51% interest as a non-wholly-owned subsidiary, with its results from 2 July 2018 being fully consolidated with that of the Group's results.

The Group has elected to measure the non-controlling interest in Viking Aquaculture at its proportionate percentage of the recognised amounts of the acquiree's identifiable net assets.

The cash generating units identified for the business combination are Viking Fishing and Viking Aquaculture. The purchase price allocation is as follows:

ASSETS ACQUIRED AND LIABILITIES ASSUMED	FAIR VALUE AT ACQUISITION DATE VIKING AQUACULTURE R'000	FAIR VALUE AT ACQUISITION DATE VIKING FISHING R'000	REVIEWED TOTAL R'000
Property, plant and equipment	425 292	227 172	652 464
Biological assets	85 368	–	85 368
Intangible assets	5 635	67 149	72 784
Investment in associate	669	–	669
Deferred tax assets	10 750	–	10 750
Inventory	7 307	67 014	74 321
Current tax receivables	298	–	298
Trade and other receivables	17 888	97 591	115 479
Cash and bank balances	4 540	128 727	133 267
Long-term interest-bearing borrowings	–	(402 218)	(402 218)
Other long-term loans	(305 047)	–	(305 047)
Deferred-income	(9 445)	–	(9 445)
Deferred tax liabilities	(83 632)	(19 773)	(103 405)
Trade and other payables	(14 913)	(37 403)	(52 316)
Employee related liabilities	–	(12 812)	(12 812)
Total identifiable assets and liabilities	144 710	115 447	260 157

ASSETS ACQUIRED AND LIABILITIES ASSUMED	FAIR VALUE AT ACQUISITION DATE VIKING AQUACULTURE R'000	FAIR VALUE AT ACQUISITION DATE VIKING FISHING R'000	REVIEWED TOTAL R'000
Total consideration is made up of following:			
Cash	64 605	250 001	314 606
Shares issued (19 230 769 ordinary shares at a price of R13 per share)	–	250 000	250 000
Contingent consideration	78 740	78 770	157 510
	143 345	578 771	722 116
Net cash flow on acquisition of subsidiary business			
Consideration paid in cash	64 605	250 001	314 606
Less: Cash and cash equivalent balances acquired	(4 540)	(128 727)	(133 267)
	60 065	121 274	181 339
Goodwill on acquisition			
Consideration	143 345	578 771	722 116
Less: Fair value of identifiable assets acquired and liabilities assumed	(144 710)	(115 447)	(260 157)
Non-controlling interest	71 348	–	71 348
	69 983	463 324	533 307

The initial accounting for the acquisition of Viking Fishing and Viking Aquaculture has been finalised.

Property, plant and equipment with a carrying amount of R218 million was revalued at acquisition date to R653 million, being its fair value at acquisition date. A total of R288 million of the fair value adjustment relates to Viking Aquaculture abalone plants, which was valued based on management estimates of what similar fully functional abalone plants with the same capacity will cost at acquisition date adjusted for wear and tear. The remaining R147 million fair value adjustment relates to Viking Fishing, of which a significant portion relates to Viking Fishing's fishing trawlers. These valuations were performed by an independent industry expert.

The main classes of intangible assets identified in Viking Aquaculture were trade names, maritime aquaculture rights and seaweed rights. The main class of intangible asset identified in the Viking Fishing business was its fishing rights. The fair values were determined by an external independent valuer with reference to the best estimate of market participant's ability to generate economic benefits by using the asset in its highest and best use.

The fair value of trade and other receivables is R116 million and includes trade receivables with a fair value of R110 million which approximates the gross contractual amount.

Goodwill is attributable to a control premium as well as the benefit of expected synergies, revenue growth and delivering diversification into other species and high value aquaculture.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

3. BUSINESS COMBINATION (CONTINUED)

Goodwill is not expected to be deductible for tax purposes.

Subsumed into goodwill are the assembled workforce with specialised knowledge and non-contractual customer relationships which do not qualify for separate recognition.

Impact of the acquisition on the results of the Group

Amounts included in the Group's results relating to the Viking Group since the date of acquisition:

The directors are of the opinion that it is impractical to separately disclose the earnings of Viking Group for the six months ended 31 December 2018 as the acquisition of Viking Fishing took the form of an acquisition of assets and liabilities and during the six months since acquisition the fishing operations of Sea Harvest and Viking Fishing were integrated, making it impractical to allocate revenue and operating costs between the two business operations. Separate records are being maintained on a basis agreed with the former owners for the purpose of earn-out determination.

Results of the Group if Viking Group had been consolidated from 1 January 2018:	**R'000**
Revenue	3 102 729
Profit for the year	333 088

The directors consider these amounts to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

In determining the profit of the Group had the Viking Group been acquired on 1 January 2018, the directors have taken into consideration the following:

- Additional finance costs that would have been incurred had the transaction taken place on 1 January 2018;
- The depreciation of plant and equipment and amortisation of intangibles acquired was calculated on the basis of the fair values arising in the accounting for the business combination, rather than the carrying amounts recognised in the pre acquisition financial statements; and
- Incremental operating costs that would have been incurred by the Group had the transaction taken place on 1 January 2018.

Acquisition related costs

Acquisition costs of R29.4 million were recognised in profit or loss for the 2018 year.

Contingent consideration

The contingent consideration was estimated by an independent valuer and is based on Viking Aquaculture and Viking Fishing achieving the earn-out targets for 2018 and 2019 financial years discounted at the prime lending rate at acquisition date. The contingent consideration is regarded as a level 3 financial instrument for fair value measurement purposes. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The movement in contingent consideration in 2018 is as follows:

Viking Fishing	78 770
Viking Aquaculture	78 740
	157 510
Effect of discounting	7 660
Fair value adjustment[1]	(43 260)
Closing balance	121 910

[1] *The fair value adjustment is as a result of Viking Aquaculture not achieving the 2018 minimum target.*

4. REVENUE

	REVIEWED YEAR ENDED 31 DECEMBER 2018 R'000	AUDITED YEAR ENDED 31 DECEMBER 2017 R'000
Group revenue for the year can be analysed as follows:		
Revenue from the sale of goods	**2 583 341**	2 125 028
Revenue from the performance of services	**-**	6 026
	2 583 341	2 131 054
Revenue from sale of goods comprise of:		
Cape Hake	**1 351 669**	1 232 227
Traded and other	**652 359**	418 957
Prawns	**176 484**	202 133
Vegetables and meals	**108 343**	120 985
High value by catch	**150 130**	108 828
Scallops and crabs	**43 248**	41 898
Horse Mackerel	**65 726**	-
Abalone	**35 382**	-
	2 583 341	2 125 028
Revenue is further split by geographic region as follows:		
South Africa	**1 079 820**	821 317
Southern Europe	**720 892**	551 823
Australia	**471 997**	506 069
Northern Europe	**188 439**	203 683
Other Markets	**122 193**	48 162
	2 583 341	2 131 054

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

	REVIEWED YEAR ENDED 31 DECEMBER 2018 R'000	AUDITED YEAR ENDED 31 DECEMBER 2017 R'000
5. HEADLINE EARNINGS PER SHARE		
5.1 DETERMINATION OF HEADLINE EARNINGS		
Profit for the year attributable to shareholders of Sea Harvest Group Limited	**281 209**	259 344
Profit on disposal of property, plant, equipment and vehicles	**(4 596)**	(3 876)
Realised profit on disposal of interest in joint venture	**-**	(23 155)
Total tax effects of adjustments	**1 286**	3 004
Headline earnings for the year	**277 899**	235 317

	REVIEWED YEAR ENDED 31 DECEMBER 2018	AUDITED YEAR ENDED 31 DECEMBER 2017
5.2 CALCULATION OF WEIGHTED AVERAGE NUMBER OF SHARES		
Weighted average number of shares on which earnings and headline earnings per share are based	**249 202 106**	217 859 827
Weighted average number of shares on which diluted earnings and diluted headline earnings per share are based	**258 988 718**	226 173 525
Reconciliation of weighted average number of shares between basic and diluted earnings per share and headline earnings and diluted headline earnings per share:		
Basic	**249 202 106**	217 859 827
Dilutive instruments	**9 786 612**	8 313 698
Diluted	**258 988 718**	226 173 525
Headline earnings per share (cents)		
– Basic	**111.5**	108.0
– Diluted	**107.3**	104.0

	REVIEWED YEAR ENDED 31 DECEMBER 2018 R'000	AUDITED YEAR ENDED 31 DECEMBER 2017 R'000
6. SEGMENTAL RESULTS		
As a result of the business combination, the South African Operations, as reported in prior years, now includes the Viking Fishing business forming the South African Fishing segment and a new reportable segment, Aquaculture, was formed. The Groups' reportable segments under IFRS 8: Operating Segments are South African Fishing, Aquaculture and the Australian operation.		
Segment revenue		
South African Fishing[1]	**2 085 972**	1 644 206
Australian Operations	**442 837**	486 848
Aquaculture[2]	**54 532**	-
Total revenue	**2 583 341**	2 131 054
Segment profit from operations		
South African Fishing	**369 408**	312 262
Australian Operations	**16 318**	21 551
Aquaculture	**2 893**	-
Operating profit before fair value gains, joint venture and associate income	**388 619**	333 813
Fair value gains	**48 743**	24 825
Gain on the disposal of interest in joint venture	**-**	23 155
Share of profits of joint venture and associate	**647**	1 000
Investment income	**46 125**	17 206
Interest expense	**(90 130)**	(38 848)
Profit before taxation	**394 004**	361 151
Total assets		
South African Fishing[3]	**3 338 053**	1 732 386
Australian Operations	**873 809**	836 133
Aquaculture	**636 422**	-
	4 848 284	2 568 519
Total liabilities		
South African Fishing	**1 958 850**	638 084
Australian Operations	**376 482**	364 456
Aquaculture	**443 625**	-
	2 778 957	1 002 540

[1] *Revenue excludes inter-segmental revenue of R98 million (2017: R101 million) which are eliminated on consolidation.*
[2] *Revenue excludes inter-segmental revenue of R2 million (2017: nil) which are eliminated on consolidation.*
[3] *South African Fishing assets includes assets of R1 billion acquired in a business combination. Refer to note 3.*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

	REVIEWED YEAR ENDED 31 DECEMBER 2018 R'000	AUDITED YEAR ENDED 31 DECEMBER 2017 R'000
7. OTHER FINANCIAL ASSETS AND LIABILITIES		
Financial derivative assets	**26 906**	66 721
Non-current portion of financial assets[1]	**25 912**	24 825
Current portion of financial assets[2]	**994**	41 896
Other financial asset		
Available-for-sale investment[3]	**–**	25 264
Investment at fair value through other comprehensive income[3]	**25 264**	–
Financial derivative liabilities	**14 460**	130
Current portion of financial liabilities[2]	**14 460**	130
Other financial liability		
Fishing licence liability[4]	**64 072**	80 066
Non-current portion of financial liability	**41 806**	59 348
Current portion of financial liability	**22 266**	20 718

1 CALL OPTION DERIVATIVE

Included in the non-current financial assets is a call option to acquire 100% of the shareholding in Vuna Fishing Company Proprietary Limited from Vuna Fishing Group Proprietary Limited. The fair value was independently determined by an expert using the Black-Scholes option pricing model. The call option financial asset has been classified as a non-current asset at 31 December 2018 due to the expected exercise date thereof exceeding 12 months from the reporting date. The call option is regarded as a level 3 financial instrument for fair value measurement purposes. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The movement in the call option derivative is as follows:

Opening balance	**24 825**	–
Fair value movement	**1 087**	24 825
Closing balance	**25 912**	24 825

7. OTHER FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

ASSUMPTION SENSITIVITY ANALYSIS

The Group has performed a sensitivity analysis relating to its exposure to a change in the assumptions used in the valuation. The sensitivity analysis demonstrates the increase/(decrease) on the asset held at fair value through profit or loss which could result from a change in these assumptions.

	REVIEWED YEAR ENDED 31 DECEMBER 2018 R'000	AUDITED YEAR ENDED 31 DECEMBER 2017 R'000
Vuna Fishing Company valuation		
+5%	**1 980**	2 061
–5%	**(1 956)**	(2 036)
Yield Curve (8.0590%)		
+5%	**1 324**	1 167
–5%	**(1 285)**	(975)
Volatility (34.378%)		
+1%	**1 060**	1 435
–1%	**(1 087)**	(1 487)

As Vuna Fishing Company Proprietary Limited is unlisted, the volatility was determined using the quadratic mean volatility of peer group companies.

2 FINANCIAL DERIVATIVE ASSETS AND LIABILITIES

Financial assets and liabilities arise from hedging contracts entered into by the Group for the purpose of minimising the Group's exposure to foreign currency volatility. Hedging contracts are regarded as level 2 financial instruments for fair value measurement purposes. Level 2 fair value measurements are those derived from inputs that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

3 INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group holds 10% of the ordinary share capital of Desert Diamond Fishing Proprietary Limited, a company involved in the fishing and fishing processing industries.

This investment was previously classified as "available-for-sale". With the adoption of IFRS 9, the Group has irrevocably elected to classify this investment as fair value through other comprehensive income because this investment is held as long-term strategic investment that is not expected to be sold in the short to medium term. As a result, the investment with a fair value of R25 million was reclassified from available-for-sale financial assets to financial assets at fair value through other comprehensive income.

The Group reassesses the valuation of the fair value through other comprehensive income investment

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

7. OTHER FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

annually, by using an asset valuation method performed by an independent valuator.

The fair value through other comprehensive income investment is regarded as a level 3 financial instrument. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

ASSUMPTION SENSITIVITY ANALYSIS

The Group has performed a sensitivity analysis relating to its exposure to a change in the assumptions used in the valuation. The sensitivity analysis demonstrates the increase/(decrease) on the investment at fair value through other comprehensive income which could result from a change in these assumptions.

	REVIEWED YEAR ENDED 31 DECEMBER 2018 R'000	AUDITED YEAR ENDED 31 DECEMBER 2017 R'000
Desert Diamond vessel valuation		
+5%	**1 263**	1 263
–5%	**(1 263)**	(1 263)

4 FISHING LICENCE LIABILITY

The fishing licence liabilities relate to the Shark Bay Prawn Managed Fishery Voluntary Fisheries Adjustment Scheme (VFAS). The VFAS operates from 12 November 2010 until 1 July 2021. Mareterram owns 10 fishing licences in the Shark Bay region. The liabilities shown represent present values discounted at the five-year Australian Corporate Bond rate. Fishing licence liabilities are carried at amortised cost.

	REVIEWED YEAR ENDED 31 DECEMBER 2018 R'000	AUDITED YEAR ENDED 31 DECEMBER 2017 R'000
8. RELATED PARTY TRANSACTIONS		
This disclosure relates to material related party balances and transactions.		
8.1 RELATED PARTY LOANS		
Loans to related parties-non-current		
Vuna Fishing Company Proprietary Limited (Joint venture of Brimstone Investment Corporation Limited)	**27 420**	27 420
Vuna Fishing Group Proprietary Limited (Subsidiary of Brimstone Investment Corporation Limited)	**45 069**	45 069
Total	**72 489**	72 489
Loans to related parties-current		
Specialised Aquatic Feeds Proprietary Limited (Associate of Viking Aquaculture Proprietary Limited)	**4 000**	–
Total	**4 000**	–
Interest paid to related parties		
Brimco Proprietary Limited	**-**	10 708

	REVIEWED YEAR ENDED 31 DECEMBER 2018 R'000	AUDITED YEAR ENDED 31 DECEMBER 2017 R'000
8.2 RELATED PARTY TRANSACTIONS		
Sales to related parties		
SeaVuna Fishing Company Proprietary Limited[1]	**81 520**	34 880
Purchases from related parties		
SeaVuna Fishing Company Proprietary Limited[1]	**193 157**	165 731

[1] *SeaVuna Fishing Company Proprietary Limited is a wholly-owned subsidiary of Vuna Fishing Company Proprietary Limited which is a joint venture of Brimstone Investment Corporation Limited.*

In terms of the supply agreement with Vuna Fishing Company Proprietary Limited ("Vuna") and SeaVuna Fishing Company Proprietary Limited ("SeaVuna"), fish caught by Vuna and SeaVuna is marketed by Sea Harvest Corporation Proprietary Limited.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

	REVIEWED YEAR ENDED 31 DECEMBER 2018	AUDITED YEAR ENDED 31 DECEMBER 2017
9. STATED CAPITAL (NUMBER)		
In issue (number)		
Ordinary shares	**272 865 243**	251 362 907
Held as treasury shares	**(15 685 629)**	(11 389 304)
	257 179 614	239 973 603

At 31 December 2018, the movement in stated capital is as follows:

	TOTAL SHARES IN ISSUE	LESS TREASURY SHARES	TOTAL NET SHARES IN ISSUE
Opening balance	**251 362 907**	**11 389 304**	239 973 603
Shares issued	**21 502 336**	**2 271 567**	19 230 769
Shares repurchased	**-**	**2 671 642**	(2 671 642)
Shares vested	**-**	**(646 884)**	646 884
Closing balance	**272 865 243**	**15 685 629**	257 179 614

10. CONTINGENT LIABILITIES AND COMMITMENTS

The Group has no contingent liabilities at the end of the year (2017: nil).

	REVIEWED YEAR ENDED 31 DECEMBER 2018 R'000	AUDITED YEAR ENDED 31 DECEMBER 2017 R'000
Capital commitments		
Budgeted capital expenditure is as follows:		
– contracted	**19 632**	155 665
– not contracted	**115 142**	123 230
Lease commitments		
– land and buildings	**227 712**	24 456

11. EVENTS AFTER THE REPORTING DATE

On 2 January 2019, Sea Harvest Group Limited has, through its wholly-owned subsidiary Cape Harvest Food Group Proprietary Limited, acquired the entire issued share capital of Ladismith Cheese Company Proprietary Limited for a consideration of R573 million, settled in cash. Part of the consideration was funded by way of a vendor consideration placement, whereby holding company, Brimstone Investment Corporation Limited, through its wholly-owned subsidiary Newshelf 1169 Proprietary Limited, subscribed for 21 428 571 shares at a price of R14 per share, resulting in a total subscription of R300 million. This increases Brimstone Investment Corporation Limited's investment in Sea Harvest from 50.59%[1] at 31 December 2018 to 54.19%[1] at 8 January 2019. The Group is in the process of determining the fair values of the assets and liabilities of Ladismith Cheese for IFRS 3: Business Combination purposes.

On 5 February 2019, the Group announced that, through its wholly-owned subsidiary Sea Harvest International Proprietary Limited, it had entered into a binding bid implementation agreement with its 56.3% held Australian subsidiary, Mareterram Limited whose shares are listed on the Australian Securities Exchange, regarding the potential acquisition of all of the fully paid ordinary shares in the issued share capital of Mareterram not currently owned by Sea Harvest by way of an off-market takeover offer.

The board of directors has recommended a gross full and final cash dividend of 40 cents (2017: 31 cents) per share on 5 March 2019 in respect of the year ended 31 December 2018.

Other than as outlined above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company to affect substantially the operations of the Group, the results of its operations or the state of affairs of the Group.

[1] *Including treasury shares in the calculation of the interest*

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